

Good evening, and thanks for tuning in tonight. I want to thank Mississippi Public Broadcasting for making this time available on its television and radio networks so we can talk about the serious business of state government, including the spending cuts I announced on September 3. I'll have some brief opening comments so we can save time for your questions.

Let's get right to the point: We don't have enough revenue to meet our budgeted expenditures for Fiscal Year 2010, much less Fiscal Years 2011 or 2012.

Since Fiscal Year 2010 began on July 1, actual revenue has been lower than expected. In July, revenue was 11.27 percent or \$26.1 million dollars, below what was forecast. Although revenue in August was closer to expectations, it was still down \$5.5 million dollars, missing the mark by almost 2 percent. Mississippi has collected less revenue than expected every month for an entire year.

The FY 2010 budget assumed we would collect more tax revenue than last year, so the shortfall below the revenue estimate, while very large, masks the magnitude of the problem we may be facing. Actual collections for July fell 21.43 percent, or \$56.3 million dollars, when compared to July 2008, one year before. When compared to the same two month period in 2008, our collections in July and August were down by 13.83 percent, a decrease of more than \$85 million dollars. If this trend continues, we would miss our FY 2010 revenue estimate by more than \$800 million dollars.

While that large a shortfall is unlikely, it is not impossible. More probable is a revenue shortfall in the \$175 million to \$350 million range.

So, as required by state law, I ordered cuts in state spending, including education, to meet our balanced budget requirements. Accordingly, it was necessary to revise Fiscal Year 2010 budgets to achieve a savings of about \$171.9 million dollars (\$171,925,753). These cuts are in effect now, and it is likely that further cuts in state spending will be necessary as this fiscal year moves along.

As you may know, governors are prohibited from cutting any agency by more than 5 percent until all agencies are cut by 5 percent. Although I have previously attempted to avoid cuts to education spending, that is no longer possible. Our FY 2010 budget already imposed substantial cuts for many agencies, but included record education spending. Education spending is well over 60 percent of

the state budget, so it is not possible to make meaningful savings while keeping education untouchable.

The spending reductions I have ordered aim to ensure belt tightening is felt equally across government. For those agencies that were not cut a full five percent below last year by the budget, I ordered reductions to bring those cuts up to five percent. Agencies that previously saw budgeted appropriations cut by five percent or more were left alone for the time being. Some agencies, like Medicaid, have been exempted from cuts. Most education units will see a five percent reduction below the appropriated level of spending. For now, National Board Certification and Student Financial Aid will not be cut at all. Nor will spending that results from court orders or legal settlements.

Even after these cuts, education spending will be twenty million dollars more than last year. All three levels of education (K-12, community colleges and universities) will have more to spend than last year because of federal stimulus funds.

Some recommended postponing cuts to a later date, but that approach is not prudent. The sooner the cuts are mandated, the more time agencies have to spread out savings over the rest of the fiscal year.

This is not "business as usual." Legislators, state agencies, and citizens must understand that these extraordinary times demand decisive action.

In Mississippi we know all too well what a major storm on the horizon looks like, and we know we must make wise choices to prepare for one. Although we do not yet know how bad the budgetary storm will be in FY 2010, it has already begun to hit us.

While I hope revenue will improve, we must make prudent fiscal choices now, and going forward.

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